

TO: New Jersey Gas Station Managers
FROM: C. V. ISZARD
SUBJECT: CIGARETTE DISPLAY COMPLIANCE

MEMO: CVI/001/97

DATE: 4/14/97

This review is provided so you can determine your compliance and eliminate the possibility of being in non-compliance with the Philip Morris, R. J. Reynolds, and Newport agreements.

For 1997, all displays and fixtures must be placed in accordance with standard schematic;

- Exhibit A illustrates the standard configuration for a Kiosk.
- Exhibit B illustrates the standard configuration for an A-Building.
- Exhibit C illustrates the standard configuration for a Mt. Top Coffee Shop.
- Exhibit D illustrates the standard configuration for all exterior signage.

All locations need to set their locations based on the standard schematic. If your location still has an RJR Carton/Pack merchandiser, it should be thrown away immediately.

The attached Schematics will help you determine the number of facings for each manufacturer.

If you have any questions concerning compliance, please call Kathy Strype at X6158.

cc: H. Small
R. Lawlor
B. Doyle
K. Strype

J. Douglas
M. Lester
NJ Marketing Representatives

NJ Gas Stations

51847 3492

Cigarette Display Compliance

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1997 Guidelines & Policies:

Why does Hess Corporate develop Guidelines, Policies and Layouts for cigarette signage and display placement?

The standard schematic is co-authored by the 3 major cigarette companies and Hess in an effort to maximize the sales and profit potential for your location and Hess. Each cigarette manufacturer pays Hess a lot of money to secure a permanent location for their display, based on visibility and location (self service or non-self service). This is the most important merchandising tool the cigarette company has to communicate to the customer and is always mandatory for their program. Once the display position is secured, Hess receives promotional support, (i.e., Buy 2 get 1 free, Value added product like Lighters and price reduction funding).

In summary, you can imagine the efforts trying to get three manufacturers to agree on display placement and why they "check up" on us to make sure they are getting what we have agreed to. All schematics should be strictly adhered to unless a customized schematic has been approved by the cigarette category manager.

The standard schematic you have received should always be available to review with a cigarette representative to defend your approved cigarette layout. This will eliminate any possibilities of being in non-compliance.

Signage Policies - the 1997 signage policy is designed to eliminate the possibility "Signage Clutter" and we will utilize the Number One Brand's Image "Marlboro" to communicate that we are in the cigarette business.

Permanent Signage & Fixtures - (Neon signs, Swing Signs, Butt Cans etc.,) Each location is allowed to have one Phillip Morris Neon (based on Division Manager Approval) and a Counter Balance Sign (Swing Sign) were allowed by the local ordinances. All new orders should be for the small Marlboro counter balance sign with a pricing kit. Hess will be standardizing with the small counter balance sign so that overlays can be produced for promotional events. Cigarette butt cans should always be the Philip Morris "Basic" can. All other permanent signage must be reviewed and approved by the cigarette category manager.

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Temporary Signage - (Signage that is up for less than 31 days)

Contractually, Hess is not limited by the amount of temporary signage utilized.

However, senior management would like the following image guidelines adhered to;

1) No hand written signs, 2) All nationally coordinated signage is placed in the #1 position. We are looking for a very clean look that communicates our every day pricing and that our promotional values are highlighted.

Local Promotions - Hess managers are allowed to approve and sign for value added promotions (i.e., Buy 2 get 1 free, Buy 2 get a free lighter and displays for couponed products etc.) and is encouraged to receive them in order for us to compete fairly and to grow our business.

The only locally offered promotions that require additional steps, including accounting issues, are when buy downs are included. If a buy down can be coordinated for the complete marketing area and does not interfere with the implementation of a nationally coordinated promotion, it can be set up with the Cigarette Category Managers Approval. In the event a local buy down is presented it should be based on the following principles: 1) The buy down should be based on a time period, not existing inventory, 2) headquarters has to have the ability to track the promotion and bill the cigarette company, and 3) no checks should be issued to the field.

Pack Displays - All Pack displays should be positioned based on the schematic. Unless ~~and~~ schematic change has been approved by headquarters, there should be no changes. Under no circumstances is a local cigarette representative allowed to reposition the displays. A Hess manager is always allowed to request changes and if the changes comply with all cigarette contracts, it will be approved.

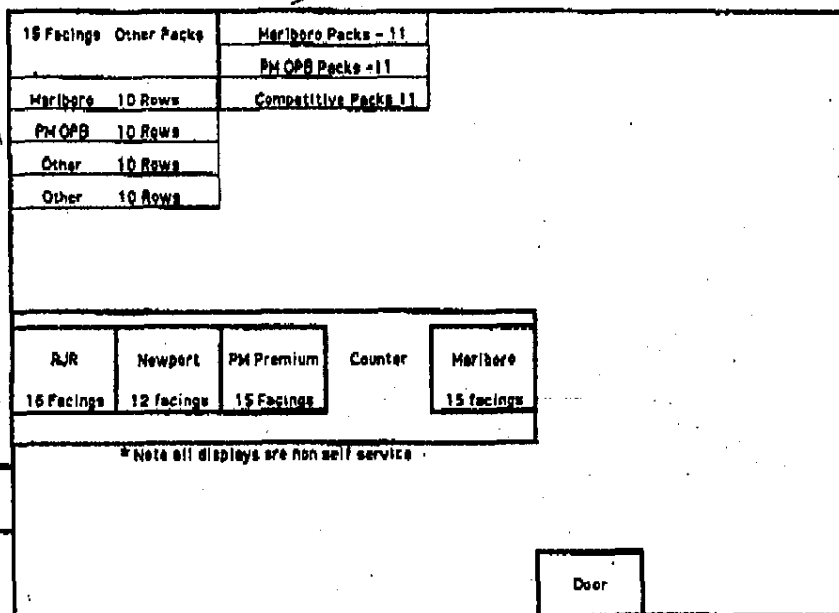
The Pack displays should always be filled with the brands that the local cigarette representative has requested (usually the best sellers). In most cases, each display will be stickered with the correct brands.

Retail Prices - Retail Prices are determined based on competitive surveys and sound business decisions. Hess currently uses cigarettes as a "Traffic Builder" and is pricing cigarettes to be as competitive in the market as possible, without sacrificing margin dollars. All price changes need to be approved by the Cigarette Category Manager. The purpose of the approval process is to review the change for reasonableness, communicate the approved change to accounting and the distributor so that your invoices have the correct retails.

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Hess (Fords NJ)
InteriorPM
10 Wide
Carton Fixture

Springload



Marlboro Display - 15
 PM Premium Display - 15 Facings
 RJR Display - 15 Facings
 Newport Display - 12

Counter Displays
 Total Facings - 55
 PM Facings - 30
 PM Share of Space - 52%

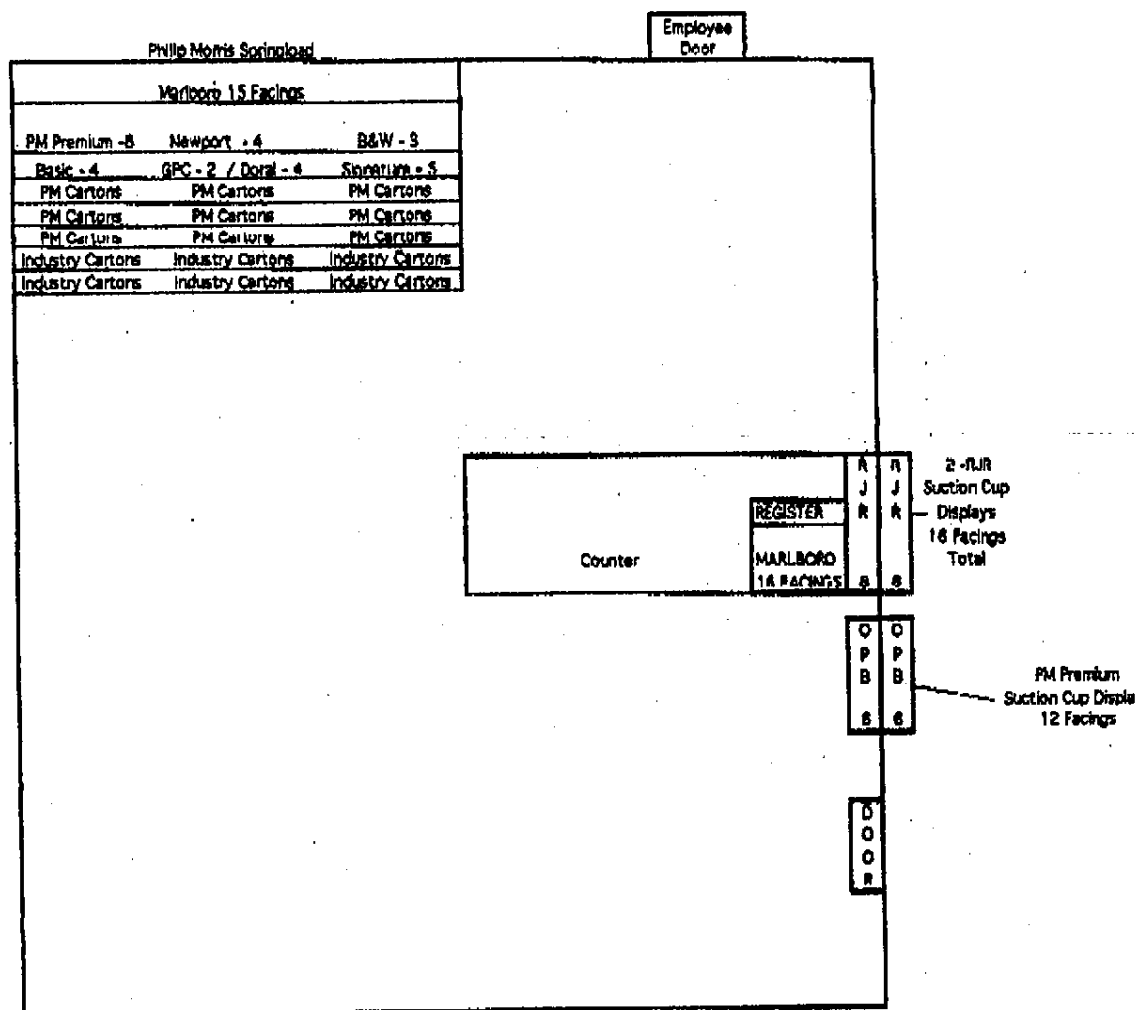
Charles W. Jones 4/23/97
 HESS Signature Date

Philip Morris 4/23/97
 Philip Morris Signature Date

RJR Signature Date

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Hess Mountain Top PUG
(PM Springfield Fixture)



Marlboro Display - 16 Facings
PM Premium Display - 12 Facings
RJR Displays - 16 Facings

Total PM Facings - 28
Total RJR Facings - 16
Total Facings - 44
PM Share of Space - 63%

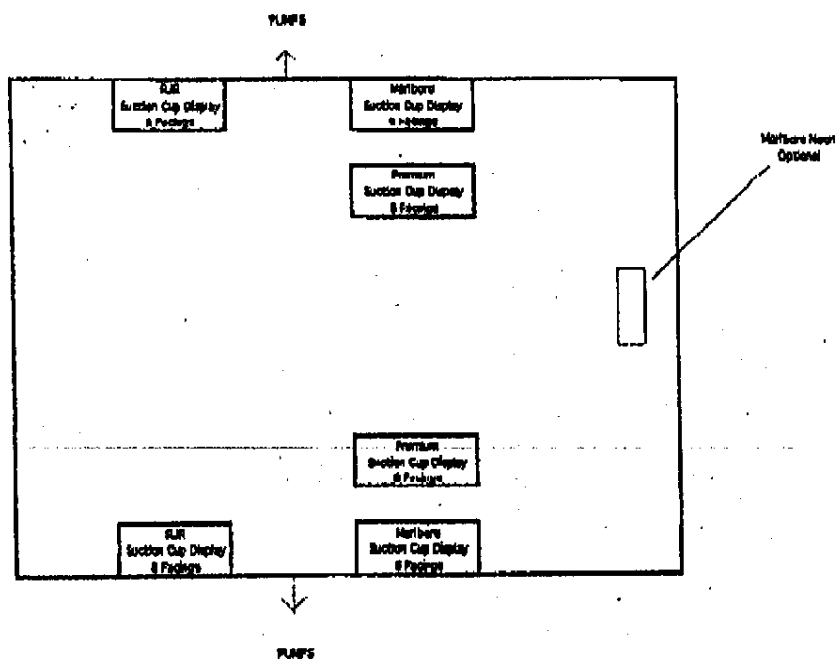
Charles Hess 4/22/97
HESS Signature Date

Philip Morris 4/22/97
Philip Morris Signature Date

RJR Signature Date

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From Main
Interior



Total PM Packings - 24

Total SUR Packings - 16

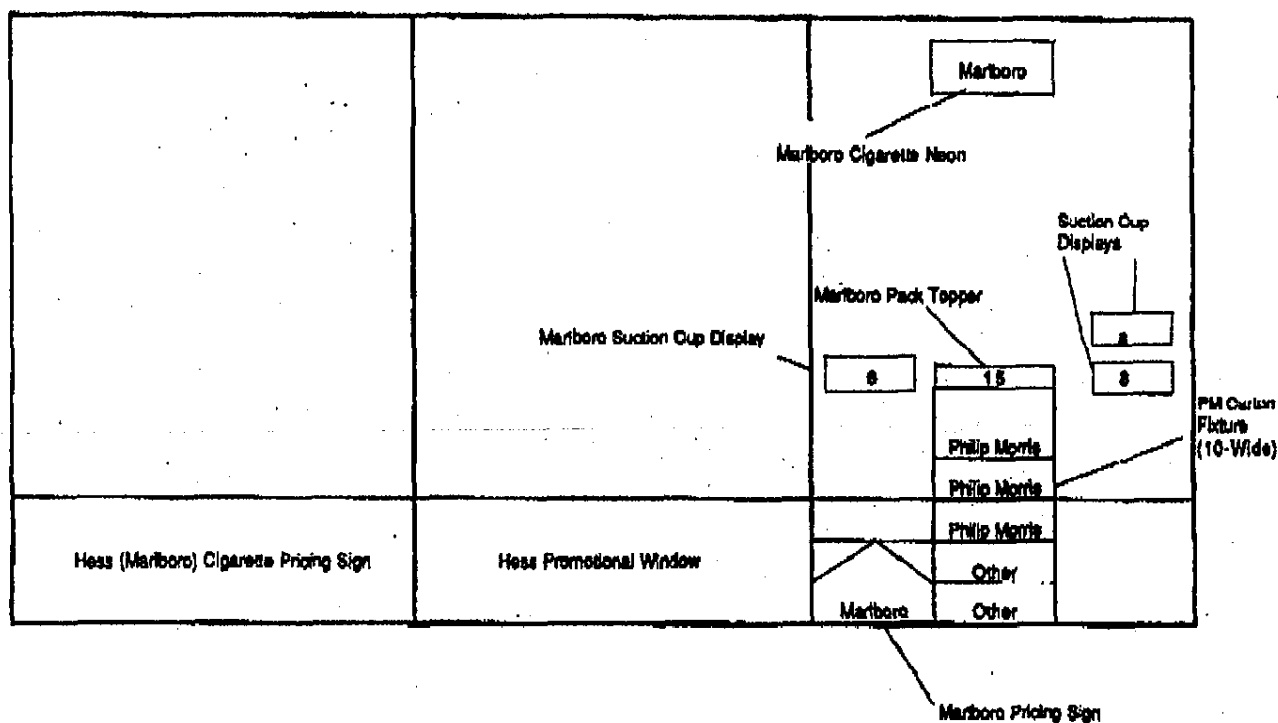
Total Packings - 40

PM Share of Space - 60%

Charles W. J. J. J. 4/23/97
 Name Signature Date
Ray Turner 4/23/97
 Name Signature Date
 Name Signature Date

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Hess A-Building



Marlboro Pack Topper - 15 Facings
 PM Premium Display - 8 Facings
 RJR Displays - 16 Facings

Total PM Facings - 21
 Total RJR Facings - 18
 Total Facings - 37
 PM Share of Space - 57%

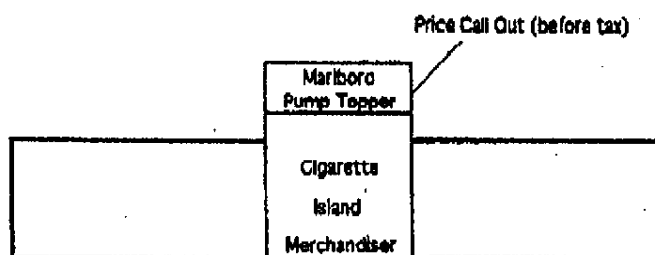
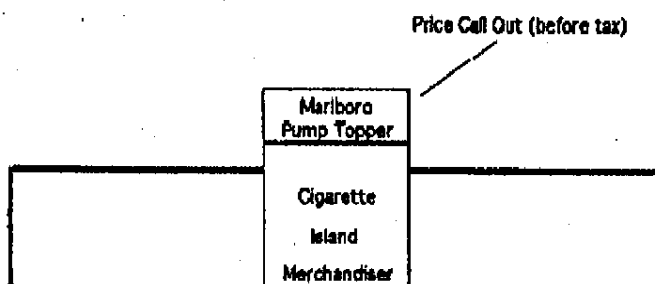
Charles W. Dyer 4/23/97
 HESS Signature Date

Philip Morris 4/23/97
 Philip Morris Signature Date

 RJR Signature Date

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Hess Exterior POS
(All New Jersey Locations)



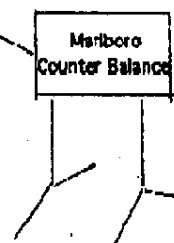
* Note - Number Kits should be utilized for all price call outs (no hand written numbers).

Chuck Morris 4/23/97
Hess Signature Date

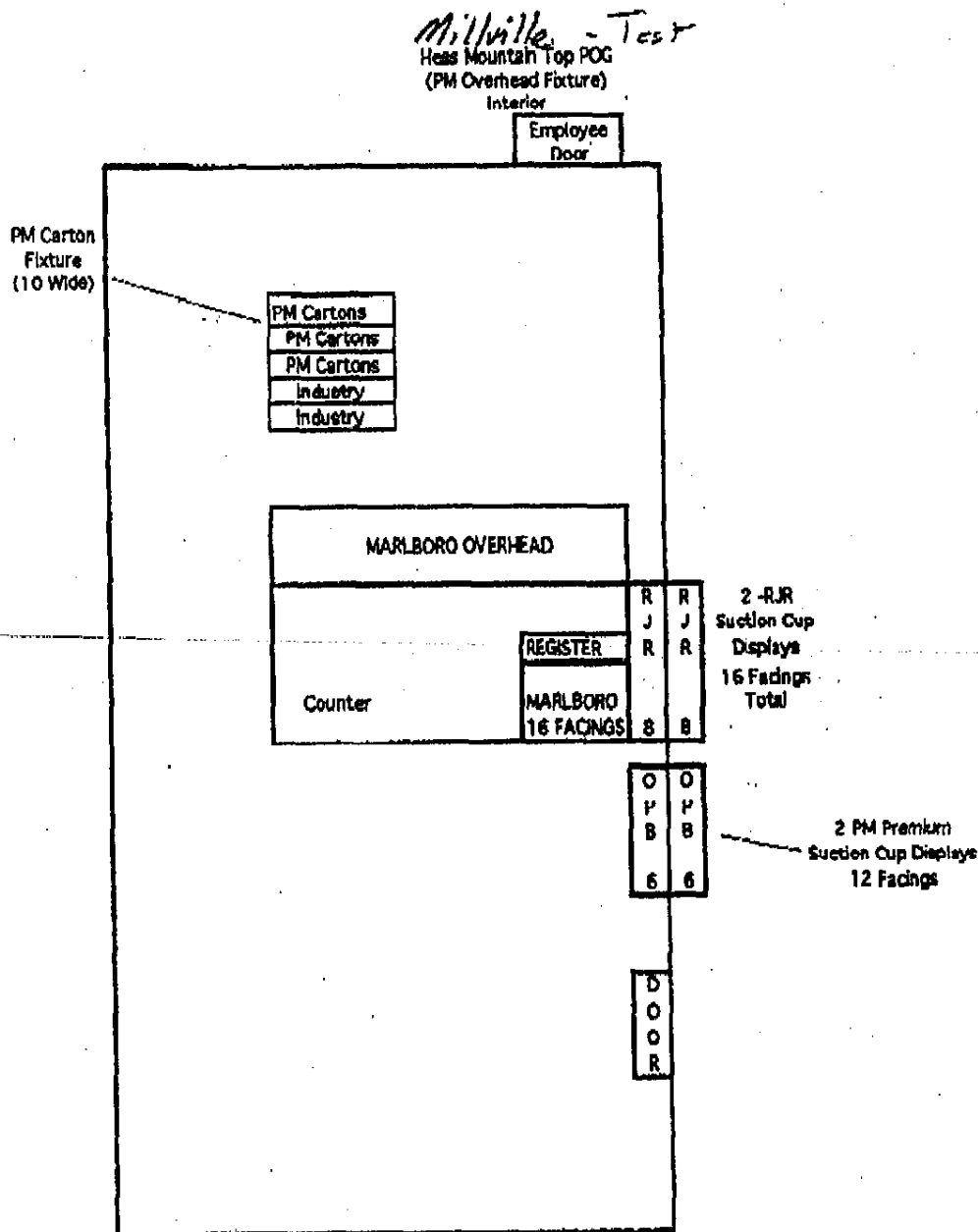
Philip Morris 4/23/97
Philip Morris Signature Date

RJR Signature Date

Marlboro Mini Counter Balance Sig
(with pricing kit)
Price Before Tax



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Marlboro Display - 16 Facings
PM Premium Display - 12 Facings
RJR Displays - 16 Facings

Total PM Facings - 28
Total RJR Facings - 16
Total Facings - 44
PM Share of Space - 63%

Chad Hess 4/23/97
HESS Signature Date

Philip Morris 4/23/97
Philip Morris Signature Date

RJR Signature Date

51847 3500